



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL CONDITION REPORT ON EXAMINATION
OF THE
TRUSTMARK LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

DECEMBER 31, 2016

DATE OF REPORT:

APRIL 17, 2018



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

JOSEPH G. JACOBS, CFE

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Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

October 6, 2020

Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, NY 10004

Madam:

In accordance with instructions contained in Appointment No. 31627, dated May 3, 2017, and annexed hereto, an examination has been made into the condition and affairs of Trustmark Life Insurance Company of New York, hereinafter referred to as “the Company,” at its administrative office located at 400 Field Drive, Lake Forest, IL 60045. The Company’s home office is located at 126 South Swan Street, Albany, NY 12210.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violation contained in this report are summarized below.

The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office located at 126 South Swan Street, Albany, NY. 12210. (See item 3F of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2017 Edition* (the “Handbook”). The examination covers the four-year period from January 1, 2013, through December 31, 2016. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2016, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners (“NAIC”). The Handbook guidance provides for the establishment of an examination plan based on the examiner’s assessment of risk in the insurer’s operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management’s compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was called by the Illinois Department of Insurance in accordance with the Handbook guidelines, through the NAIC’s Financial Exam Electronic Tracking System. Illinois served as the lead state with participation from New York. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other’s work.

Information about the Company’s organizational structure, business approach and control environment were utilized to develop the examination approach. The Company’s risks and management activities were evaluated incorporating the NAIC’s nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic

- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2013 through 2016, by the accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. Trustmark Services Company, an affiliate has an internal audit department which was given the task of assessing the internal control structure for the Company. The Company is not subject to the Sarbanes-Oxley Act of 2002 (“SOX”) or the Module Audit Rule (“MAR”). However, management has voluntarily implemented a similar system of internal controls over financial reporting (“ICFR”). Where applicable, ICFR workpapers and reports were reviewed and portions were relied upon for this examination.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

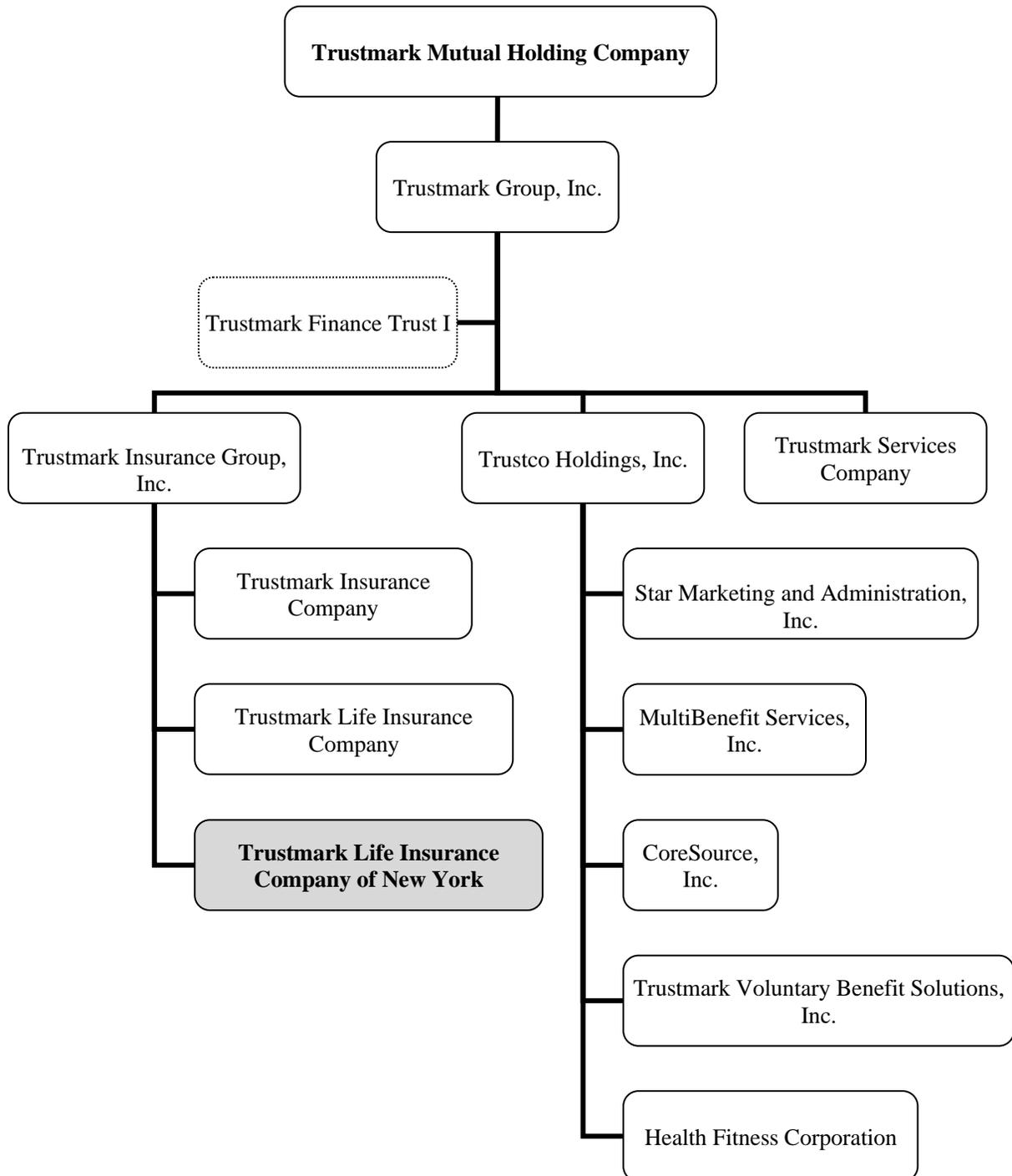
The Company was incorporated as a stock life insurance company under the laws of New York on March 21, 2008, and was licensed and commenced business on June 17, 2009. Initial resources of \$6,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$4,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$30 per share. Trustmark Insurance Group, Inc. (“TIG”) is the sole shareholder. In December 2010, the Company received a \$1 million cash capital contribution from its parent, TIG. In May 2013, the Company received \$1.5 million cash capital contribution from its parent. In December 2014, the Company received \$1 million cash capital contribution from its parent. Lastly, in December 2015, the Company received another \$1.0 million cash capital contribution from its parent.

B. Holding Company

The Company is a wholly owned subsidiary of TIG, an Illinois stock company. TIG is in turn a wholly owned subsidiary of the Trustmark Group, Inc., an Illinois stock company. The ultimate parent of the Company is Trustmark Mutual Holding Company, an Illinois mutual insurance company.

C. Organizational Chart

An organizational chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2016, follows:



D. Service Agreements

The Company had four service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Administrative Services	04/15/2008	Trustmark Voluntary Benefit Solutions, Inc.	The Company	Payroll Deduction and Premium Administration Services	2013 \$(14,000) 2014 \$(25,000) 2015 \$(45,000) 2016 \$(54,000)
Investment Management	02/01/2009	Trustmark Insurance Company	The Company	Investment Management Services	2013 \$0 2014 \$(32,702) 2015 \$(31,501) 2016 \$(26,413)
Intercompany Service Agreement File No. 40062	02/02/2009	Trustmark Life Insurance Company	The Company	All functions including, but not limited to, accounting, financial, financial reporting, corporate, human resources, legal and compliance, underwriting, claims, policyholder services, facilities management, marketing, actuarial, premium billing and collections, etc.	2013 \$(158,103) 2014 \$(441,568) 2015 \$(88,241) 2016 \$(88,890)
Intercompany Service Agreement File No. 40062	02/02/2009	Trustmark Insurance Company	The Company	Same as the above services.	2013 \$(552,625) 2014 \$(865,121) 2015 \$(583,097) 2016 \$(911,728)

*Amount of Expense Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 9 nor more than 21 directors; provided, however, that the number of directors shall be increased to not less than 13 directors within one year following the end of the calendar year in which the Company's admitted assets exceed \$1,500,000,000. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2016, the board of directors consisted of ten members. Meetings of the board of directors are held at such place as may from time to time be fixed by resolution of the board of directors, or as may be specified in a notice of the meeting. The examiner noted that at least four meetings were held in each year under examination.

The ten board members and their principal business affiliation, as of December 31, 2016, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Philip A. Goss Glencoe, IL	Senior Vice President, Chief Financial Officer and Treasurer Trustmark Life Insurance Company of New York	2010
Jerome H. Hitpas Buffalo Grove, IL	Senior Vice President Investments and Chief Investment Officer Trustmark Life Insurance Company of New York	2011
Deborah A. Kozemko* Albany, NY	Principal Hinman Straub P.C.	2008
David M. McDonough* Lake Forest, IL	Retired President and CEO Trustmark Insurance Company and Trustmark Life Insurance Company of New York	2008
Alex N. Moral Vernon Hills, IL	Senior Vice President Trustmark Voluntary Benefit Solutions, Inc.	2010
Christopher S. Panczner* New York, NY	Senior Vice President and General Counsel Montefiore Medical Center	2008

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Joseph L. Pray Lake Forest, IL	President and Chief Executive Officer Trustmark Life Insurance Company of New York	2009
Kevin R. Slawin* Northbrook, IL	Managing Director Black Diamond Advisory Services, LLC	2016
Lynn S. Snyder* Rockville, MD	Senior Member Epstein Becker & Green, P.C.	2016
Peter D. Ziegler* Slinger, WI	Chairman YMCA Retirement Fund, USA	2008

*Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2016:

<u>Name</u>	<u>Title</u>
Joseph L. Pray	President and Chief Executive Officer
Philip A. Goss	Senior Vice President, Chief Financial Officer and Treasurer
Stephen T. Auburn	Senior Vice President and General Counsel
Jerome H. Hitpas	Senior Vice President Investments and Chief Investment Officer
Daniel Simpson	Senior Vice President and Chief Information Officer
James L. Coleman	Senior Vice President and Chief Enterprise Marketing Officer
Kristin J. Zelkowitz	Senior Vice President and Chief Human Resources Officer
John K. Anderson	Senior Vice President
Nancy M. Eckrich	Senior Vice President
Paul J. Lotharius	Senior Vice President
Alex N. Moral	Senior Vice President
Graham B. Traynor	Vice President and Corporate Controller
Karin G. Lowery	Vice President and Corporate Actuary
Elizabeth A. O'Brien*	Chief Compliance Officer and Chief Privacy Officer
Laura A. Derouin	Corporate Secretary
Deborah A. Pazdernik	Assistant Treasurer
William G. Mehilos**	Illustration Actuary

*Designated consumer services officer per Section 216.4 of 11 NYCRR 216 (Insurance Regulation 64)

In April 2017, Michael J. Hawksworth replaced William G. Mehilos as the Illustration Actuary.

F. Books and Records

1. Section 325(a) of the New York Insurance Law states, in part:

“Every domestic insurer and every licensed United States branch of an alien insurer entered through this state shall, except as hereinafter provided, keep and maintain at its principal office in this state its charter and by-laws, (in the case of a United States branch a copy thereof) and its books of account, and if a domestic stock corporation, a record containing the names and addresses of its shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof, and if a domestic corporation the minutes of any meetings of its shareholders, policyholders, board of directors and committees thereof. . . .”

On February 5, 2018, the examiner visited the Company’s home office located at 126 South Swan Street, Albany, New York, to inspect the books and records. The physical inspection revealed that the Company did not maintain, at its home office, its general ledger, transaction registers, subsidiary ledger transaction detail (investment, claims, etc.), cash books, and detailed workpapers supporting the quarterly and annual statements. In addition, the Company did not maintain meeting minutes of its audit, investment and reinsurance committees.

The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business only in the State of New York. In 2016, 100% of life premiums were received from the State of New York. Policies are written on a participating basis.

A. Statutory and Special Deposits

As of December 31, 2016, the Company had \$400,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

B. Direct Operations

The Company markets worksite products designed specifically for the voluntary market. During the period under review, the Company wrote participating individual flexible premium universal life policies with living benefit riders.

The Company's agency operations are conducted on a general agency basis, through national and regional brokers and professional benefit communication firms.

C. Reinsurance

As of December 31, 2016, the Company had reinsurance treaties in effect with two authorized reinsurers. The Company's life business is reinsured on a yearly renewable term basis. Reinsurance under this treaty is provided on an excess of loss basis. In addition, effective July 1, 2015, the Company entered into a catastrophic life excess reinsurance treaty. Reinsurance under this treaty is provided on an excess of loss basis.

The maximum retention limit for the individual life reinsurance treaty is \$125,000. The catastrophic life excess reinsurance treaty provides additional protection to the Company in the event of catastrophic losses with a maximum retention of \$500,000 per occurrence. The total face amount of life insurance ceded as of December 31, 2016, was \$9,858,353, which represents 3.7% of the total face amount of life insurance in force.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, <u>2012</u>	December 31, <u>2016</u>	Increase (Decrease)
Admitted assets	<u>\$6,350,528</u>	<u>\$ 8,404,143</u>	<u>\$ 2,053,615</u>
Liabilities	<u>\$ 118,910</u>	<u>\$ 1,525,235</u>	<u>\$ 1,406,325</u>
Common capital stock	\$2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	5,000,000	8,500,000	3,500,000
Unassigned funds (surplus)	<u>(768,382)</u>	<u>(3,621,092)</u>	<u>(2,852,710)</u>
Total capital and surplus	<u>\$6,231,618</u>	<u>\$ 6,878,908</u>	<u>\$ 647,290</u>
Total liabilities, capital and surplus	<u>\$6,350,528</u>	<u>\$ 8,404,143</u>	<u>\$ 2,053,615</u>

The majority (91%) of the Company's admitted assets, as of December 31, 2016, was derived from bonds.

The Company's invested assets as of December 31, 2016 were mainly comprised of bonds (91.3%) and cash and short-term investments (8.7%).

The Company's entire bond portfolio, as of December 31, 2016, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force (in thousands of dollars):

Individual Whole Life

<u>Year</u>	<u>Issued</u>	<u>In Force</u>
2013	\$ 89,935	\$ 98,042
2014	\$ 90,678	\$167,641
2015	\$108,241	\$229,980
2016	\$ 99,628	\$269,438

During the examination period, the Company experienced significant growth in its in force individual whole life line of business as it continues to build scale in its voluntary benefits universal life policies from a start-up company established in June 2009, which began writing business in the second quarter of 2010.

The ordinary lapse ratio for each of the examination years was 26.4% in 2016, 25.0% in 2015, 16.4% in 2014, and 7.9% in 2013. The low lapse ratios, as computed in the annual statements in 2013 and 2014, are artificially understated due to the high volume of sales in relation to the in force business as well as the timing of the back-end loaded sales for these years.

The Company reported net losses from operations for the ordinary line of business after federal income taxes but before realized capital losses of \$786,178, \$878,453, \$386,222 and \$490,135 for 2013, 2014, 2015 and 2016 respectively, in the Company's filed annual statements.

The Company's operating losses in each year of the examination period are attributed to it being a startup company that has been slowly gaining traction in the marketplace.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2016, as contained in the Company's 2016 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2016, filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche LLP was retained by the Company to audit the Company's combined statutory-basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte & Touche LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	\$7,647,703
Cash, cash equivalents and short-term investments	728,821
Contract loans	1,644
Receivable for securities	101
Investment income due and accrued	21,357
Current federal and foreign income tax recoverable and interest thereon	920
Receivables from parent, subsidiaries and affiliates	2,139
Assets due from other companies	1,458
Total admitted assets	<u>\$8,404,143</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 1,216,417
Contract claims:	
Life	111,996
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	35
Interest maintenance reserve	1,889
General expenses due or accrued	97,184
Remittances and items not allocated	419
Miscellaneous liabilities:	
Asset valuation reserve	10,656
Payable to parent, subsidiaries and affiliates	65,695
Payable for securities	103
Unclaimed property	20,841
 Total liabilities	 <u>\$ 1,525,235</u>
 Common capital stock	 \$ 2,000,000
 Gross paid in and contributed surplus	 8,500,000
Unassigned funds (surplus)	<u>(3,621,092)</u>
Surplus	<u>\$ 4,878,908</u>
Total capital and surplus	<u>\$ 6,878,908</u>
 Total liabilities, capital and surplus	 <u>\$ 8,404,143</u>

D. Condensed Summary of Operations

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Premiums and considerations	\$ 426,767	\$ 959,800	\$1,830,960	\$2,327,871
Investment income and amortization of IMR	<u>181,644</u>	<u>145,487</u>	<u>64,642</u>	<u>107,805</u>
Total income	<u>\$ 608,411</u>	<u>\$1,105,287</u>	<u>\$1,895,602</u>	<u>\$2,435,676</u>
Benefit payments	\$ 56,119	\$ 132,829	\$ 72,141	\$ 562,794
Increase in reserves	52,962	181,360	406,297	551,899
Commissions	325,000	594,564	992,666	898,690
General expenses and taxes	<u>960,508</u>	<u>1,074,987</u>	<u>966,531</u>	<u>1,093,726</u>
Total deductions	<u>\$1,394,589</u>	<u>\$1,983,740</u>	<u>\$2,437,635</u>	<u>\$3,107,109</u>
Net gain (loss) from operations	(786,178)	\$ (878,453)	\$ (542,033)	\$ (671,433)
Federal and foreign income taxes incurred	<u>0</u>	<u>0</u>	<u>(155,811)</u>	<u>(181,299)</u>
Net income	<u>\$ (786,178)</u>	<u>\$ (878,453)</u>	<u>\$ (386,222)</u>	<u>\$ (490,134)</u>

E. Capital and Surplus Account

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital and surplus, December 31, prior year	\$ <u>6,231,618</u>	\$ <u>6,942,517</u>	\$ <u>6,882,937</u>	\$ <u>7,584,913</u>
Net income	\$ (786,178)	\$ (878,453)	\$ (386,222)	\$ (490,134)
Change in net deferred income tax	(280,923)	0	133,001	(133,000)
Change in non-admitted assets and related items	280,877	(178,741)	(45,379)	(81,229)
Change in asset valuation reserve	(2,877)	(2,386)	576	(1,642)
Capital changes:				
Paid in	<u>1,500,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>710,898</u>	\$ <u>(59,580)</u>	\$ <u>701,976</u>	\$ <u>(706,005)</u>
Capital and surplus, December 31, current year	\$ <u>6,942,517</u>	\$ <u>6,882,937</u>	\$ <u>7,584,913</u>	\$ <u>6,878,908</u>

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in the prior report on examination and the subsequent actions taken by the company in response to each citation:

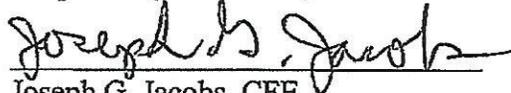
<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Company, TVBSI and TIC adhere to the terms of their agreements in a manner that is fair and equitable and as filed with the Superintendent.</p> <p>The examiners review did not reveal any exceptions.</p>
B	<p>The Company violated Sections 91.3 and 91.4(a)(5)(f)(1) of Department Regulation No. 33 by failing to allocate administrative and investment advisory expenses for services received from affiliates in the same manner that was used to allocate expenses to the major annual statement lines of business.</p> <p>The examiners review did not reveal any exceptions.</p>
C	<p>The Company violated Section 4211(a) of the New York Insurance Law by failing to notify the Superintendent at least ten days prior to the election of directors. The Company also violated Section 4211(b) of the New York Insurance Law by failing to notify the Superintendent at least ten days prior to elected directors taking office.</p> <p>The examiners review did not reveal any exceptions.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.	10

Respectfully submitted,



Joseph G. Jacobs, CFE
INS Regulatory Insurance Services, Inc.

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Joseph G. Jacobs, being duly sworn, deposes and says that the foregoing report, subscribed by him,
is true to the best of his knowledge and belief.



Joseph G. Jacobs

Subscribed and sworn to before me

this 27th day of November, 2020

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2021

APPOINTMENT NO. 31627

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **MARIA T. VULLO**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

JOSEPH G. JACOBS
(INS REGULATORY INSURANCE SERVICES, INC.)

as a proper person to examine the affairs of the
TRUSTMARK LIFE INSURANCE COMPANY OF NEW YORK
and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 3rd day of May, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

